

**ASSEMBLY BILL**

**No. 577**

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**Introduced by Assembly Member Bonnie Lowenthal**

February 25, 2009

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An act to amend Section 1580.1 of the Health and Safety Code, and to amend Sections 14590 and 14591 of the Welfare and Institutions Code, relating to the elderly.

LEGISLATIVE COUNSEL'S DIGEST

AB 577, as introduced, Bonnie Lowenthal. Program for All-Inclusive Care for the Elderly.

Existing law establishes the federal Medicaid program, administered by each state, California's version of which is the Medi-Cal program. The Medi-Cal program, which is administered by the State Department of Health Care Services under the direction of the Director of Health Care Services, provides qualified low-income persons with health care services.

Existing federal law establishes the Programs of All-Inclusive Care for the Elderly (PACE), which provides specified services for older individuals so that they may continue living in the community. Federal law permits states to implement the PACE program as a Medicaid state option.

Existing state law authorizes the director to establish the California Program of All-Inclusive Care for the Elderly, and to contract with up to 10 demonstration projects to develop risk-based long-term care pilot programs, and establishes PACE program services as a covered benefit of the Medi-Cal program.

Existing law authorizes the State Department of Health Care Services, and as applicable, the California Department of Aging, to grant

exemptions to entities contracting with the department under the PACE program from certain provisions relating to adult day health centers.

This bill would make technical, nonsubstantive changes to the above provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1580.1 of the Health and Safety Code is  
2 amended to read:

3 1580.1. The State Department of Health *Care* Services, and as  
4 applicable, the California Department of Aging, may grant to  
5 entities contracting with the State Department of Health *Care*  
6 Services under the PACE program, as defined in Chapter 8.75  
7 (commencing with Section 14590) of Part 3 of Division 9 of the  
8 Welfare and Institutions Code, exemptions from the provisions  
9 contained in this chapter in accordance with the requirements of  
10 Section 100315.

11 SEC. 2. Section 14590 of the Welfare and Institutions Code is  
12 amended to read:

13 14590. The Legislature finds and declares that:

14 (1) Community-based services to the frail elderly are often  
15 uncoordinated, fragmented, inappropriate, or insufficient to meet  
16 the needs of frail elderly who are at risk of institutionalization,  
17 often resulting in unnecessary placement in nursing homes.

18 (2) Steadily increasing health care costs for the frail elderly  
19 provide incentive to develop programs providing quality services  
20 at reasonable costs.

21 (3) Capitated “risk-based” financing provides an alternative to  
22 the traditional fee-for-service payment system by providing a fixed,  
23 per capita monthly payment for a package of health care services  
24 and requiring the provider to assume financial responsibility for  
25 cost overruns.

26 (4) On Lok Senior Health Services began as a federal and state  
27 demonstration program in 1973 to test whether comprehensive  
28 community-based services could be provided to the frail elderly  
29 at no greater cost than nursing home care.

30 (5) Since 1983, On Lok Senior Health Services of San Francisco  
31 has successfully provided a comprehensive package of services

1 and operated within a cost-effective, capitated risk-based financing  
2 system.

3 (6) Recognizing On Lok's success, Congress passed Legislation  
4 in 1986 and 1987 encouraging the expansion of capitated long-term  
5 care programs by permitting federal Medicare and Medicaid  
6 waivers to be granted indefinitely to On Lok and authorizing the  
7 ~~Health Care Financing Administration~~ *federal Centers for*  
8 *Medicare and Medicaid Services* to grant waivers in up to 10 new  
9 sites throughout the nation in order to replicate the On Lok model.

10 (7) In California, numerous agencies have expressed interest in  
11 developing programs similar to On Lok and will need the  
12 cooperation of the State Department of Health *Care Services* to  
13 successfully obtain the necessary available federal waivers to  
14 develop risk-based capitated long-term care demonstration  
15 programs.

16 (8) Through the development of these demonstration programs,  
17 the viability of a cost-effective statewide program offering quality  
18 long-term care services can be evaluated.

19 (9) To achieve maximum cost effectiveness in demonstration  
20 projects under this chapter, an expedited contract process is  
21 necessary.

22 SEC. 3. Section 14591 of the Welfare and Institutions Code is  
23 amended to read:

24 14591. The State Director of Health *Care Services* may  
25 establish the California Program of All-Inclusive Care for the  
26 Elderly, to promote the development of community-based,  
27 risk-based capitated, long-term care programs.